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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Memorandum

THE SUEZ CANAL CLOSURE AND INDIAN FOODGRAIN SUPPLIES

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
23 June 1967

INTELLIGENCE MEMORANDUM

The Suez Canal Closure  
and Indian Foodgrain Supplies

1. India's food supplies will probably not be much affected by the closure of the Suez Canal. Sizable US and Canadian grain shipments from West Coast ports, and 75,000 tons of wheat on the way from Australia ensure continued supplies during the time ships are delayed by the need to transit Africa. In recent months almost one third of US grain shipments to India and one half of Canadian shipments have been from West Coast ports. It is estimated that 334,000 tons of foodgrain will be delayed by 10 to 18 days by the closure measured from 5 June.

2. The journey to India from American East or Gulf Coast ports via Suez normally takes from 30 to 35 days. The added transit time around the Cape of Good Hope for ships now leaving will average about seven days. Grain ships are now experiencing berthing delays in Indian ports, and ships en route or soon to depart for India will be arriving during the Indian monsoon when there will be additional delays. In effect, therefore, the longer transit time via Africa may simply shorten the unloading delays at India's ports.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Research and Reports and coordinated with the Office of Current Intelligence.

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3. The principal effect of the closure of the Suez Canal on India's food supplies will be substantially increased freight costs. In 1966 India paid about \$100 million in freight costs to import foodgrain. About 80 percent of India's foodgrain comes from the US and the balance principally from Canada, Australia, and Burma. India has normally paid the foreign flag rate of from \$7 to \$14 per ton on foodgrain imported from the US (the US requires that 50 percent of its grain be shipped to India on US flagships which charge \$29 to \$32 per ton, but the US subsidizes the higher freight cost). Since the closure of the Suez Canal, freight rates have increased about \$4 per ton from East and Gulf Coast ports and \$2 to \$3 per ton from the West Coast. Because a shortage of ships is anticipated, these rates probably will increase further. These increased costs would have added some \$25 million to India's freight bill in 1966.

4. The existing foodgrain ration system in India requires 950,000 tons per month, originally programmed at 850,000 tons from imports and 100,000 tons from domestic procurement. Present indications are that about 700,000 tons will be imported in June, about the same level as in the first three months of the year and somewhat less than in April and May. The elaborate ration system has been maintained by drawing down stocks, which at the beginning of June were estimated at only about 300,000 tons, the lowest level in the past two years. Stocks of foodgrains totaling 1.7 million tons held by individual states cannot be used by the central government to fulfill its rationing commitment. Even if the Suez Canal had not been closed, India would probably not have been able to fulfill all its rationing commitments throughout the summer months. As early as April, the government was unable because of its other rationing commitments to provide foodgrain in famine areas necessary to maintain a level of 1,300 calories per day considered the minimum amount required for subsistence.

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Talking Paper for Memo The Suez Canal Closure and  
Indian Foodgrain Supplies

1. This memo assesses the effect the Suez Canal closure is having and will have over the next few months on grain shipments to India. The paper's main conclusions are; (1) India's food supplies will probably not be much affected, (2) the principal effect will be substantially increased freight costs caused by longer journeys around the Cape of Good Hope, and (3) India would have been unable to meet its rationing commitments this summer even if the Canal had not been closed.

2. This memo was initiated and produced by ORR and coordinated with OCI.

3. Routine internal and external dissemination is recommended.